

From: tes-msco@msn.com [mailto:tes-msco@msn.com]  
Sent: Monday, October 24, 2005 6:07 PM  
To: ATR-Real Estate Workshop  
Subject: Residential Real Estate

Gentlemen, the attached word document pertains to the real estate industry and competition.

Please copy and forward to the proper department and people.

Thank you

Tom Shafer

RE/MAX Northwest

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October 20, 2005

U.S. Department of Justice  
Antitrust Division  
Attention: Lee Quinn  
325 7<sup>th</sup> Street, NW  
Washington, DC. 20530

Reference: The Real Estate Industry Competition, Project No. V050015

Gentlemen,

The day to day business of Real Estate is the most competitive industry in which I have been involved.

My wife and I have been Realtors® for over 10 years and have fought our way up to a reasonable return on the investment of our time, money, and education. It has taken a great portion of our time; we have had to work long, hard hours; we have had to keep adjusting our business model plan to the ever changing needs of our clientele in order to reach where we are today.

Previously I spent over 30 years creating and running a sales and marketing company. Though the hours were long and the competition strong, the rewards-the commission percentage and income received-were significantly higher than in residential real estate.

Here are a few of the differences I have seen in the two industries: 1) Real Estate is far more regulated. 2) Real Estate is tremendously competitive with discount agents, discount brokers, flat fees, and rebates. 3) Real Estate takes more hours per day. 4) Real Estate is a harder business to be successful in. 5) Real Estate has a massive amount of free information available to the public and paid for by agents and brokerages. 6) Real estate is a collection of individual companies and agents with no one company or agent dominating a market place. 7) the public has a wealth of choices in agents and brokerages. 8) Real Estate is far lower in commission and return on investment. 9) Real estate has a higher rate of agents who cannot sustain a reasonable living. 10) The cost of doing business is much higher. 11) Real estate is analogue not digital – digital refers only to the tools, analogue is the relationship.

If you want to succeed in real estate, you must: have a viable working plan; accept and fight through constant loss of buyers and sellers to other agents; have an unbelievable amount of endurance and

sustaining power; build relationships; offer superior service; and offer a better system, better service, more value and strong results.

The internet only companies who have tried to digitally capture a large section of the real estate business have not had the major impact they want. They have not captured the minds and hearts of the general public. Most of the reason is basic Human Nature: The Real Estate Business is Analogue, not digital. It is about Choices; Personal choices; Personal relationships; Performance; Customer Service; Emotional Issues; Personal Contact; Day to day hand holding; Day to day answers to worried clients questions. It is about hands on Knowledge and Experience. The business is messy; it is about face to face contact, negotiation, contracts; it is about Caring, Feelings, Touching and Seeing.

The Digital world is impersonal and cold. It does not replace the personal, the analogue. The Digital world works for products and things as books, cars, vacations, rental cars and thousands of other items. It does not work well in the world of real estate and people. Those internet only companies who want to conduct business only in digital have cried “foul” because they are not getting their share; they are blaming the residential real estate industry for their lack of results; and they complain the industry needs more competition and regulation.

These internet-only companies who protest so loudly have missed some of the basics: 1) their business model is badly flawed – assumptions were made that work for other types of businesses but do not work well in real estate. 2) They need to adjust their faulty logic and actually meet the needs of the consumer and 3) They have missed drastically how the real estate industry functions: they cannot sell their system to the public and the public is not buying it.

It is not the residential real estate industry that is the problem. It is the faulty logic based on poor assumptions of these internet-only companies. And they want the DOJ and FTC to restructure a viable, working industry in order to accommodate and allow misguided, poorly constructed business plans to exist.

The real estate industry has self regulated itself far better than any other industry that I know – to the benefit of all. To have wholesale changes mandated for the benefit of a few companies and at the expense of an entire industry and the people they serve (the public) is a benefit only to those companies who, under any working business guideline, should be destined to fail due to their inaccurate assumptions and faulty logic. To give information derived from the time, expense and hard work of agents, brokerages and Multiple Listing Services to companies who have done nothing to obtain the information only serves those companies, not the industry and not the consumer-for the consumer already have access to the information through those same agents, brokerages and Multiple Listing Services.

## **B: Entry of Banks into Real Estate Brokerage Industry**

With more than enough stiff competition for each buyer and seller, with many agents leaving the industry because they cannot sustain a reasonable living, with more new agents coming into the industry than are leaving, and with the average income and commission reduced through competition, why increase an already over burdened industry with more competition from federal and state chartered banks?

Adding federal and state banks into the industry serves no one except the banks.

Federal and State chartered banks have been restricted from real estate brokerages in the past. What has changed? Their entry into the industry would serve little purpose except pollute and fragment the industry.

The question is: Who is all this for? Is it for the betterment of Big Business or the general public and the real estate industry?

I appreciate your taking the time to read this information. It is based on the reality of what it takes to survive in an industry that is already extremely competitive and highly regulated. I would appreciate your comments. My contact numbers follow.

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